

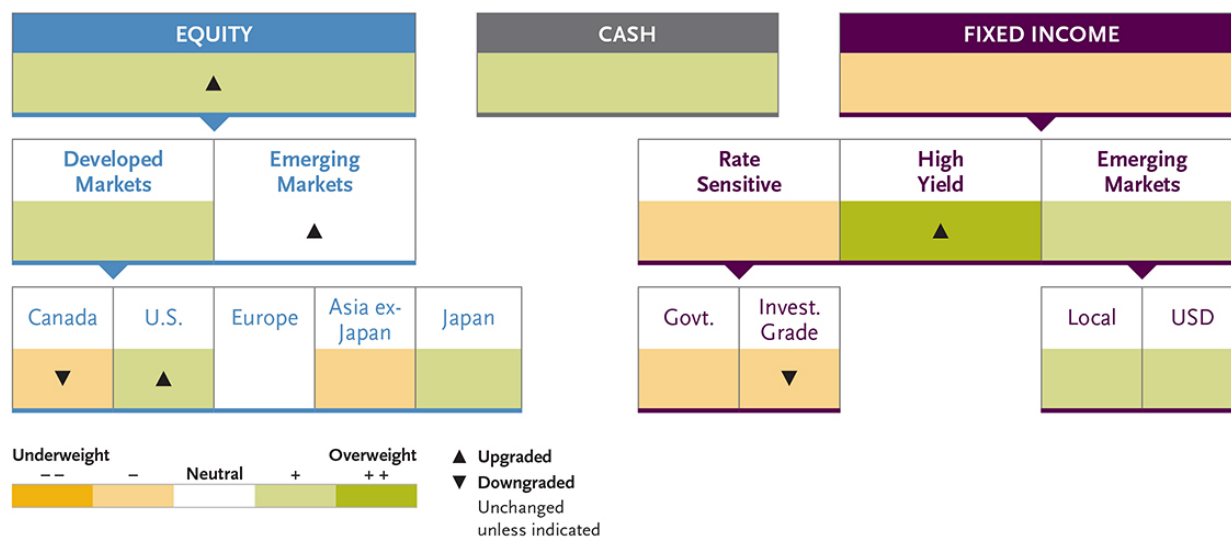
# OnCourse AGF Elements Conservative Portfolio

## Q4 2017 Report

October 2017

### AGF ASSET ALLOCATION COMMITTEE RECOMMENDATIONS

AGF Elements Portfolios were rebalanced on October 20, 2017. The following diagram represents the views of AGF's Asset Allocation Committee which influences the underweight and overweight positioning of the Portfolios.



### REBALANCE RATIONAL

#### Fixed Income

- Fixed income allocation remains underweight as restrictive central bank policy and strengthening global economies may pressure yields
- High yield bonds are most preferred within the asset class as defaults remain low and company fundamentals are improving
- Emerging market debt is viewed favourably as the economic backdrop continues to improve and a lower U.S. dollar supports growth
- Interest rate sensitive bonds remain underweight, as these bonds are most susceptible to higher rates

#### Cash

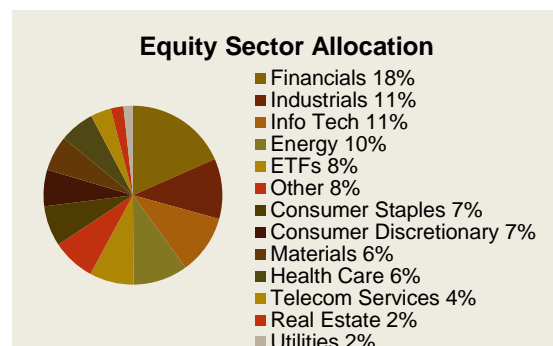
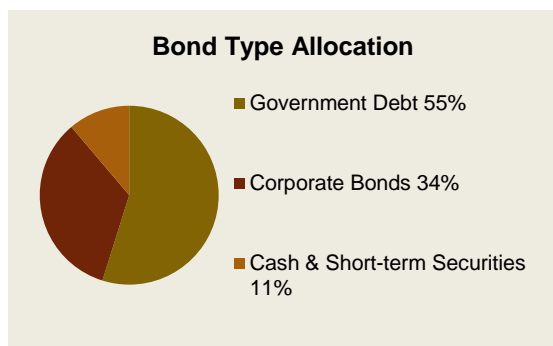
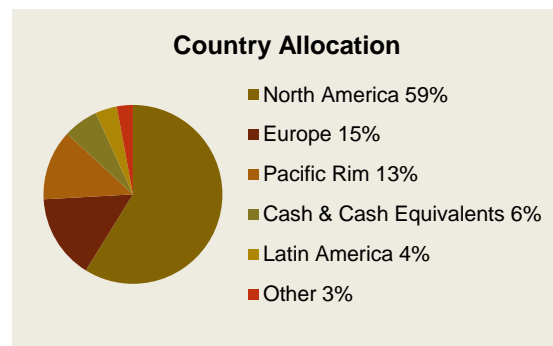
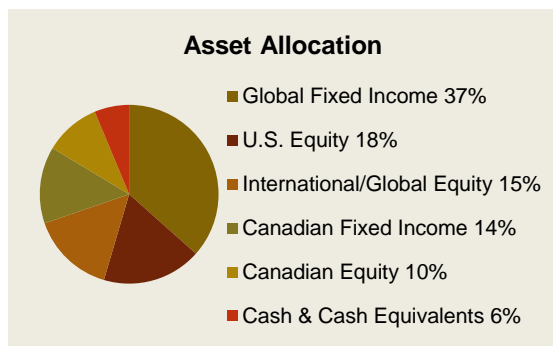
- An overweight to cash remains, although reduced, as assets are re-deployed to equity markets

#### Equities

- Equities are overweight as global growth remains supportive late into the current cycle
- Developed markets are preferred, though outlook for emerging markets has improved
- A preference for U.S. equities has been renewed as the fundamental backdrop and a depressed U.S. dollar should assist market growth
- Canada has been downgraded as a strengthening domestic currency could slow trade
- Europe remains a neutral view. Political risks have softened, yet still remain
- Exposure to Asia Pacific (ex-Japan) remains underweight over the near-term
- Japan remains a modest overweight with a strengthening economy and supportive central bank policy

Percent Target Allocations	Neutral Allocation	Previous Quarter	Current Quarter	Change
<b>Canadian Equities</b>	<b>10</b>	<b>15</b>	<b>11</b>	<b>-4</b>
AGF Canadian Stock Fund		5	3	-2
AGF Dividend Income Fund		6	5	-1
AGF Canadian Small Cap Fund		1	1	-
QuantShares Enhanced Core Canadian Equity		3	2	-1
<b>International/Global Equities</b>	<b>30</b>	<b>18</b>	<b>25</b>	<b>+7</b>
AGF American Growth Fund (Series S)		2	4	+2
AGF EAFE Equity Fund		1	1	-
AGF European Equity Fund (Series S)		0	1	+1
AGF Global Equity Fund <sup>1</sup>		8	8	-
AGF Global Dividend Fund		4	4	-
AGF Emerging Markets Fund		1	1	-
QuantShares Enhanced Core US Equity		1	3	+2
QuantShares Enhanced Core International		1	2	+1
QuantShares Enhanced Core Emerging Markets		0	1	+1
<b>Specialty Funds</b>	<b>-</b>	<b>11</b>	<b>10</b>	<b>-1</b>
AGF Global Resources Class		2	2	-
AGF Tactical Fund (Series S)		9	8	-1
<b>Canadian Fixed Income</b>	<b>24</b>	<b>10</b>	<b>10</b>	<b>-</b>
AGF Fixed Income Plus Fund		10	10	-
<b>Global Fixed Income</b>	<b>36</b>	<b>46</b>	<b>44</b>	<b>-2</b>
AGF Global Bond Fund		30	30	-
AGF Total Return Bond Fund		9	8	-1
AGF High Yield Bond Fund <sup>2</sup>		3	4	+1
AGF Emerging Markets Bond Fund		4	2	-2

**CURRENT ALLOCATIONS (as of October 24, 2017)**



## QUARTER REVIEW – Q3 2017

### Fund Performance

- For the quarter ended September 30, 2017, the AGF Elements Conservative Portfolio returned -0.3%, while the blended benchmark returned -0.4%. The blended benchmark is composed of 24% FTSE TMX Universe Bond Index/30% MSCI All Country World Index/36% Barclays Capital Global Aggregate Bond Index/10% S&P/TSX Composite Index.
- The Portfolio's benchmark asset mix is 60% fixed income and 40% equities. Relative to the benchmark, the Portfolio maintained an overweight to equities and underweight to fixed income for the quarter based on the AGF Asset Allocation Committee's more constructive view for the asset class. Within equities, the Committee favoured Canadian equities due to strong economic data and higher interest rates. This positioning contributed to outperformance, as Canadian equities generally outpaced global markets during the quarter. The Portfolio's underweight to fixed income was also a positive factor, as restrictive central bank policy and strengthening global economies pressured yields.
- During the quarter, Canadian equity exposure was further increased as part of reductions to both U.S. and global equity exposure. This contributed to performance, as Canadian equities benefited from firming commodity prices and two central bank interest rate hikes. Within fixed income, allocation to global bonds was increased in favour of high yield and Canadian bonds. This slightly detracted from performance, as high yield bonds outperformed most other fixed income categories, while global bonds lagged due to restrictive central bank policy and strengthening global economies pressuring yields.
- The performance of the underlying funds in the Portfolio was mixed during the quarter. Within the Portfolio's equity exposure, AGF American Growth Class and AGF EAFE Equity Fund outperformed their respective benchmarks, while all other underlying equity funds detracted. While lagging their respective benchmarks, both AGF Canadian Stock Fund and AGF Global Resources Fund earned strong absolute returns during the quarter. Underlying fixed income performance was also mixed as AGF Global Bond Fund and AGF Total Return Bond Fund, representing nearly three-quarters of the Portfolio's fixed income exposure, outperformed their respective benchmarks. The remaining fixed income funds narrowly lagged, however.

Performance as of September 30, 2017	PSD	3mo	6mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since PSD
<b>AGF Elements Conservative Portfolio (Series J)</b>	<b>2011-12-13</b>	<b>-0.4%</b>	<b>-0.2%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>4.5%</b>	<b>5.6%</b>	<b>-</b>	<b>5.5%</b>
AGF Canadian Stock Fund	2001-07-09	3.3%	1.4%	3.7%	9.5%	1.4%	5.2%	0.6%	4.3%
AGF Canadian Small Cap Fund	1996-02-15	-1.6%	-0.5%	2.3%	4.4%	4.1%	5.7%	1.0%	7.8%
AGF American Growth Fund	2009-01-26	0.7%	3.2%	10.2%	14.5%	13.6%	17.6%	7.7%	8.7%
AGF Dividend Income Fund	2003-04-16	2.0%	0.6%	3.2%	8.7%	4.0%	6.6%	3.0%	8.7%
AGF EAFE Equity Fund	2007-08-27	1.7%	4.6%	9.2%	7.8%	5.3%	7.5%	0.4%	0.6%
AGF Global Equity Fund <sup>1</sup>	2003-06-16	0.1%	1.9%	6.8%	10.3%	9.7%	13.8%	5.6%	7.5%
AGF Global Dividend Fund	2007-08-22	-1.2%	-0.4%	3.7%	6.1%	9.5%	12.6%	6.7%	6.6%
AGF Global Resources Class	2000-04-27	4.9%	-7.3%	-15.0%	-11.7%	-13.5%	-6.4%	-3.0%	6.0%
AGF Emerging Markets Fund	2003-06-16	-1.0%	2.3%	12.0%	7.8%	4.1%	3.6%	2.9%	10.7%
AGF Fixed Income Plus Fund	1998-11-30	-1.9%	-1.3%	0.0%	-3.2%	1.1%	1.5%	3.3%	4.1%
AGF Global Bond Fund	2010-06-17	-1.6%	-1.3%	0.3%	-4.1%	2.7%	3.5%	-	4.0%
AGF Total Return Bond Fund	2001-07-09	-0.7%	-0.1%	2.5%	1.8%	2.9%	4.5%	5.4%	6.0%
AGF High Yield Bond Fund <sup>2</sup>	1994-02-22	-0.1%	0.8%	3.4%	4.3%	2.9%	4.2%	4.8%	5.2%
AGF Emerging Markets Bond Fund	2010-11-29	-1.6%	-1.7%	1.6%	-0.1%	4.3%	4.4%	-	4.1%
AGF Tactical Fund (Series S)	2015-01-15	0.9%	1.2%	4.2%	7.2%	-	-	-	5.3%
QuantShares Enhanced Core Cdn Eq ETF	30/01/2017	2.2%	2.6%	-	-	-	-	-	4.2%
QuantShares Enhanced Core US Equity ETF	30/01/2017	-0.3%	-0.1%	-	-	-	-	-	4.6%
QuantShares Enhanced Core Intl Eq ETF	30/01/2017	0.5%	4.8%	-	-	-	-	-	12.1%

<sup>1</sup> On April 18, 2008, the Fund changed its investment objective to provide long-term capital growth and invest primarily in shares of companies around the world. The Fund may invest up to 25% of its assets in companies in emerging markets.

<sup>2</sup> On April 10, 2012, unitholders approved a change in the investment objective providing the Fund with greater flexibility to invest in high-yield bonds issued or guaranteed by corporations around the world.

**For more information, please contact your financial representative.**

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